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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION

In re
NORTHERN HOLDING, LLC,

Debtor.

Case No. 8:20-BK-13014-MW
Chapter 7

**DECLARATION OF ANTHONY RIBOLI
IN SUPPORT OF CHAPTER 7
TRUSTEE'S MOTION FOR APPROVAL
OF SALES AND BIDDING
PROCEDURES AND WATER WELL
DRILLING CONCERNING SALE OF
REAL PROPERTY**

[LBR 6004-1(b)]

Hearing (DATE SPECIALLY RESERVED)

Date: October 18, 2021
Time: 2:00 p.m.
Ctrm: Courtroom 6C
Location: 411 West Fourth Street
Santa Ana, CA 92701-4593

The Hon. Mark Wallace

I, Anthony Riboli, hereby declare:

1. I am the fourth generation winemaker for Riboli Paso Robles, LLC. Riboli Paso Robles, LLC ("Paso Robles") is an entity formed by the owners of San Antonio Winery, Inc. for the purchase of real estate properties including vineyards and a winery in Paso Robles. San Antonio Winery, Inc. was founded in 1917. It is one of the oldest, continuously family owned wineries in the State of California. Today, it is operated by the third and fourth generations of the Riboli Family. The third generation is my father Santo, uncle Steve and aunt Cathy. Santo is the

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1 President of the company. The winery focuses on estate vineyards in Paso Robles, Monterey
2 County, and Napa Valley. The company has multiple wineries and tasting rooms throughout the
3 State of California. The company sells wine to distributors throughout the United States. San
4 Antonio Winery has many brands under which it sells wine. San Antonio Winery is one of the top
5 thirty (30) largest wine companies in the State of California. I oversee all of the vineyard and
6 wine-making operations throughout the regions listed above. I have a staff of winemakers and
7 winemaking assistants who report to me. I also supervise San Antonio Winery's vineyard
8 managers and vineyard teams for all of our vineyards in the State of California. I have a Master's
9 Degree from the University of California at Davis in viticulture (grape growing) which I received
10 in 1998. Since obtaining the degree, I have been working professionally for over twenty (20)
11 years in the industry. I submit this Declaration in support of the Motion of Richard Marshack,
12 Chapter 7 Trustee of Northern Holdings, LLC for approval of bidding procedures for the sale of
13 the real property (motion filed and set for hearing on October 18, 2021 at 2:00 p.m.) ("Sales
14 Procedures" or "Sales Procedures' Motion") whose common address is 2380 Live Oak Road, Paso
15 Robles, California 93446-9693 and for approval well drilling (motion filed and set for hearing on
16 October 25, 2021 at 2:00 p.m.) ("Well Drilling" or "Well Drilling Motion") in connection with the
17 performance of certain Due Diligence water testing at the property which Paso Robles proposes to
18 purchase from the Trustee. I submit this Declaration based upon my personal knowledge and if
19 called as a witness, would testify completely to each of the matters stated herein under the penalty
20 of perjury.

21 2. We own and operate five vineyard properties in the Paso Robles area which total
22 approximately 700 acres. The property which we propose to purchase from Richard Marshack,
23 the Bankruptcy Trustee ("Trustee"), is approximately 160 acres and the vineyard portion is
24 currently 114 acres ("Property" or "Subject Property"). The five properties that we currently own
25 are further east from the subject property, a fact that will be of significance and more fully
26 explained below.

27 3. In the case of the purchase of the Subject Property, Paso Robles is paying to
28 conduct water well drilling on the Property before it is prepared to agree to the proposed purchase

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price for it of \$9.1 Million ("Purchase Price") (certain other contingencies apply presently, but must be removed within 5 business days after the final report for the last water well drilled is received by Paso Robles). In this case, under the Water Drilling being submitted for approval by the Trustee, Miller Drilling, a water well drilling company, shall drill three or four wells. Miller Drilling is a local Paso Robles company that specializes in the business of drilling water wells and repairing of pumps/motors of water wells for vineyards, homes, and other agricultural businesses. The water wells must be drilled due to the fact that water is extremely important to any agricultural business, particularly in California where water has become scarce due to the ongoing drought. Any investment in agricultural land always involves extensive due diligence to determine the availability and quality of water. In connection with the Subject Property, there are real questions about the availability of the water in sufficient quantities to justify the Purchase Price. In connection with the Property, the three or four water wells that are being drilled will be paid for entirely by Paso Robles. If the available quantity of water that is disclosed from the water drilling is not sufficient to meet our criteria (understanding that the Purchase Agreement permits our withdrawal prior to the end of Due Diligence for any reason in our sole discretion), we will not go forward with the Purchase because the Purchase Price will not be justified by the quantity of water that is available for the vineyard. At that point, Paso Robles would withdraw from the purchase that is proposed for the Subject Property in the sale.

4. As discussed above, Paso Robles owns five other vineyard properties in the Paso Robles area. However, quantity and quality of water can vary from property to property even when they are proximate to each other. Since the other vineyard properties owned and operated by Paso Robles are some distance from the Subject Property, we do not presume and cannot presume that the Subject Property will have the same quantity and quality of water as the Paso Robles' vineyards that we already own. This is one of the important reasons for doing the water well drilling and also explains why the outcome of this drilling is substantially in doubt as far as it being acceptable to Paso Robles is concerned.

5. Accordingly, there is a real chance that Paso Robles could spend the \$175,000 needed to perform the water drilling, including capping the water drilling holes after the drilling is

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1 completed and receive nothing for it in return, if the water drilling results do not reveal the
2 availability of a sufficient amount of water to justify the Purchase Price. Further, and conversely,
3 if the results of the water drilling are favorable, and do justify the Purchase Price from Paso
4 Robles' standpoint, those favorable drilling results could be used by the Trustee's real estate
5 brokers to market the Property to third party buyers who could come forward and submit their bids
6 safe in the knowledge that the quantity of water available will be such that a purchase price or
7 Qualified Overbid (as provided for in the Bidding Procedures' Motion and Order) becomes
8 worthwhile for such third party purchaser. In that instance, in my opinion, by virtue of the
9 \$175,000 funding for the water testing, Paso Robles would have created significant additional
10 value for the benefit of the Trustee and the Bankruptcy Estate so long as a higher and better bid
11 were submitted consistent with the Bidding Procedures that this Court approves.

12 6. Among the bidding procedures which the Bidding Procedures' Motion seeks
13 approval is the reimbursement of not more than \$175,000 in expenses to Paso Robles (which
14 includes about \$3,000 for obtaining drilling permits needed in order to drill the water wells) which
15 is dependent upon submission to the Trustee of documentary proof that such expenses were
16 actually incurred plus a "break-up" fee of \$225,000 in addition to the expense reimbursement.
17 This is a break-up fee of approximately 2.47% of the amount of Paso Robles' \$9.1 Million offer.
18 We believe that this break-up fee is more than justified both by the risk that we are taking in
19 spending the funds to do the water testing along with the possibility that a positive water test will
20 result in a higher and better offer than Paso Robles' offer being received by the Trustee because
21 the Trustee will be entitled to the test results after the testing is completed and can show them to
22 prospective third party buyers. I understand that the Court normally looks for break-up fees that
23 are between one and two percent, however, in this case, for the reasons stated, I believe the higher
24 break-up fee is warranted.

25 7. In addition, originally, Paso Robles was not going to agree to be a back-up bidder if
26 a higher and better bid was submitted and accepted by the Trustee and approved by this Court.
27 However, as a condition to the Trustee's agreement to set the break-up fee at 2.47%, Paso Robles
28 agreed to serve as a back-up bidder for the Property.

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8. The other provisions of the Bidding Procedures including the willingness of the competing bidder to sign an Purchase and Sale Agreement like the one already signed by Paso Robles, that the competing bidder provide a down payment in cash identical to the 3% down payment/non-refundable deposit that Paso Robles shall be providing and that the competing bidder demonstrate that its bid has no contingencies and that they have the ability to close are all customary to my understanding and are certainly criteria that we would insist upon in any competitive bidding situation.

9. Other due diligence work which Paso Robles is performing includes soil testing where a series of ten foot deep pits will be dug at the property, soil samples and soil analysis will take place, and the pits will be filled in again within seventy-two (72) hours. This will involve 12 ten-foot pits on the property so that the soil can be thoroughly tested—this must be done in conjunction with State of California authorities and their approval as we wish to be certain that a hole is not dug where there are power lines or similar utilities that could be disturbed by digging the pits. The digging of these pits will also be paid for by Paso Robles and will constitute a part of our expenses of not more than \$175,000 whose reimbursement we will seek in the event of an overbid.

A. There is a residence on the property and two additional modular residencies which will need to be inspected along with an ALTA Survey taken on the property.

10. The Sales Procedures and Well Drilling are a very important aspect of the Purchase Agreement which Paso Robles has entered into with the Trustee. But for the Bidding Procedures, particularly, and in consideration of the work and expenditures that Paso Robles is investing as its due diligence on the Subject Property, we would not be making this purchase offer to the Trustee.

I declare the matters stated herein to be true under the penalty of perjury.

Executed this 5th day of October, 2021 at Los Angeles, California.



Anthony Riboli

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is 333 South Grand Avenue, Suite 3400, Los Angeles, CA 90071-1406.

A true and correct copy of the foregoing document entitled (*specify*): **DECLARATION OF ANTHONY RIBOLI IN SUPPORT OF CHAPTER 7 TRUSTEE'S MOTION FOR APPROVAL OF SALES AND BIDDING PROCEDURES AND WATER WELL DRILLING CONCERNING SALE OF REAL PROPERTY** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) October 6, 2021, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

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☐ Service information continued on attached page.

2. SERVED BY UNITED STATES MAIL:

On (*date*) October 6, 2021, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page.

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) October 6, 2021, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

VIA PERSONAL DELIVERY:

CREDITOR

BANK OF AMERICA, NATIONAL
ASSOCIATION

CREDITOR

CALIFORNIA DEPARTMENT OF
TAX AND FEE ADMINISTRATION
OFFICE OF THE ATTORNEY
GENERAL

CREDITOR

CAPITAL ONE, NATIONAL
ASSOCIATION
C/O CSC - LAWYERS
INCORPORATING SERVICE

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The Honorable Mark Wallace
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☐ Service information continued on attached page.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

October 6, 2021

Patricia Dillamar

/s/ Patricia Dillamar

Date

Printed Name

Signature